

READING THE METER

A Look Inside A Cleaner, Safer, Smarter Auto Industry.

February 17, 2021

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Forecast Meter

Forecast Summary (Updated 2/17)

| 2020-2021 Sales, ¹ Extended Sales Forecast ² and Production Forecasts ³ | | |
|--|-------------------------------|--------------------------------|
| | U.S. Sales & Forecasts | North American Production |
| May '20 | 1,114,931 (-29.5% YoY) | 248,602 (-83% YoY) |
| June '20 | 1,103,791 (-24% YoY) | 743,216 (-17% YoY) |
| July '20 | 1,227,091 (-12.1% YoY) | 1,261,884 (+2.2% YoY) |
| August '20 | 1,325,144 (-19.1% YoY) | 951,983 (-1.1% YoY) |
| September '20 | 1,344,310 (6.4% YoY) | 1,395,830 (+2.1% YoY) |
| October '20 | 1,345,401 (0.9% YoY) | 1,413,207 (+3.7% YoY) |
| November '20 | 1,193,180 (-15.4% YoY) | 1,260,763 (-6.4% YoY) |
| December '20 | 1,608,875 (5.9% YoY) | 1,115,542 (+2.8% YoY) |
| January '21 | 1,094,689 (-3.6% YoY) | 1,175,940 (-14.0% YoY) |
| 1 st Quarter '20 | 3,476,512 (-12.7% YoY) | 3,754,533 (-11.7% YoY) |
| 2 nd Quarter '20 | 2,948,410 (-33.3% YoY) | 1,371,420 (-67.6% YoY) |
| 3 rd Quarter '20 | 3,904,539 (-9.2% YoY) | 3,989,982 (-.5% YoY) |
| 4 th Quarter '20 | 4,159,622 (-2.1% YoY) | 3,789,512 (-2.5% YoY) |
| 2020 Calendar Year | 14,463,935 (-14.7% YoY) | 12,905,447 (-23.1%) |
| 2021 Full Year Estimate | 15.5 million units (7.6% YoY) | 15.8 million units (22.7% YoY) |

U.S. Light Vehicle Sales Outlook (Updated 2/3)

Wards Intelligence Outlook: “Light-vehicle sales growth trends similarly in U.S. and Canada, but Mexico drags. Retail sales have mostly recovered, but fleet demand remains the main problem to total volume getting back up to pre-2020 levels.

When fleet demand recovers, all segments will be challenged. Incentives played a major role in lifting sales early on, but OEMs are pulling back now, as inventory tightens.

As the population of older vehicles grows, we can anticipate some pent-up demand for new vehicles. The number of new or redesigned products coming in the 2021 and 2022 model-years will spur demand as the economy recovers. However, many are battery-electric models, which won't see big market share.

Other opportunities for higher sales rates: more fiscal stimulus and rising consumer confidence as the health crisis appears to diminish. The next challenge for the market will be how well sales volumes hold up in February and March with even leaner inventory because of production losses caused by a shortage of microchips. North American production is expected to be reduced at least 230,000 units in Q1 because of the slowdowns.”⁴

Fitch Ratings Outlook: “Fitch Ratings has an improving outlook for the U.S. auto sector, reflecting Fitch's expectation that conditions in 2021 will be better than the pandemic-induced downturn in 2020. Fitch expects U.S. light vehicle sales in 2021 to total 15.6 million, up nearly 10% from our forecast of 14.2 million for 2020. Fitch's 2021 forecast assumes macroeconomic conditions improve in 2021 and widespread lockdowns do not return. Although the trend will be improving in 2021, sales are expected to be about 8% below 2019. Fitch does not expect sales to return to 2019 levels until 2022 at the earliest even if a coronavirus vaccine becomes widely available by mid-2021.

Despite an improving demand environment, the auto industry remains exposed to various secular pressures. For example, tightening emissions regulations in many global markets, especially China and Europe, are rapidly accelerating the pace of vehicle electrification. Dozens of new electric vehicles will be introduced over the next few years, but vehicle cost and customer acceptance remain challenges. Auto manufacturers, suppliers and others also continue to invest heavily in automated driving technologies, although the pace of development has been slower than expected. Technological, regulatory and social issues continue to impede a faster rollout of autonomous vehicles.⁵

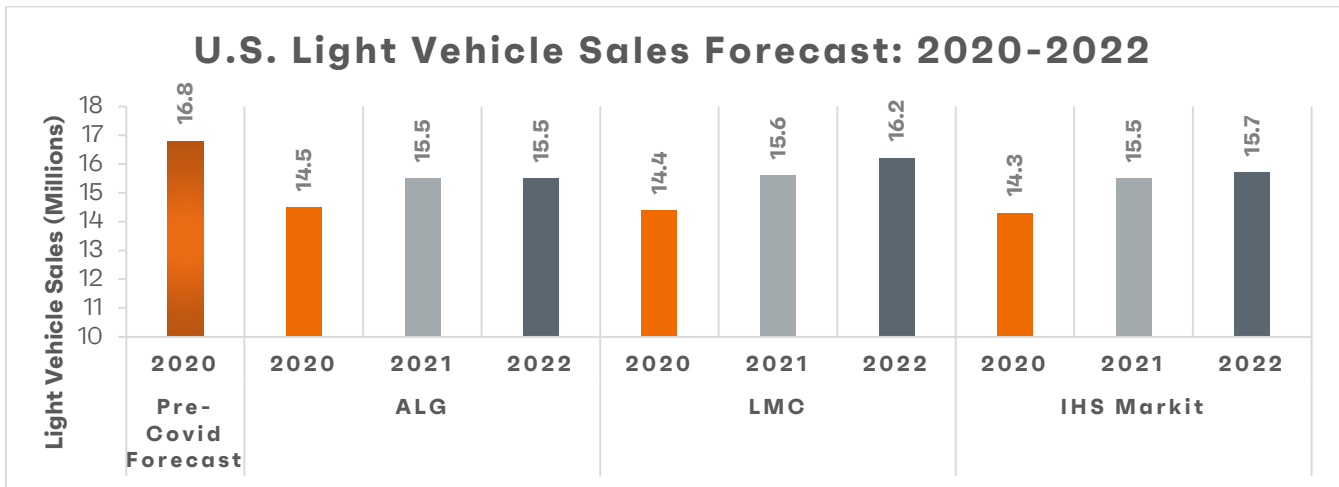
J.D. Power January Forecast: “New-vehicle retail sales for the month of January are expected to show growth from January 2020, according to a joint forecast from J.D. Power and LMC Automotive. Retail sales for new vehicles are projected to reach 890,800 units, a 6.1% increase compared with January 2021 when adjusted for selling days. January 2021 contains one fewer selling day and the same number of selling weekends when compared to January 2020. Comparing the same sales volume without adjusting for the number of selling days translates to an increase of 1.8% year over year.

Total new-vehicle sales for the month of January, including retail and non-retail transactions, are projected to reach 1,073,100 units, a 0.9% decrease from January 2020, when adjusted for selling days. Reporting the same numbers without controlling for the number of selling days translates to a decrease of 4.9% from January 2020. The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be 16.3 million units, down 0.4 million units from 2020.

Thomas King, president of the data and analytics division at J.D. Power: “January continues the strong performance observed in Q4 of 2020 and points to a positive outlook for the balance of 2021.”⁶

IHS Markit Update: “US light vehicle retail demand has proven more resilient in the near-term in spite of a very challenged US economic outlook. As a result, the US light vehicle sales outlook has been increased to 14.3 million units and 15.5 million units for 2020 and 2021, respectively.”⁷

“IHS Markit expects the market’s sales recovery to be over years, with the US not seeing 17 million light-vehicle registrations annually again through 2025.”⁸



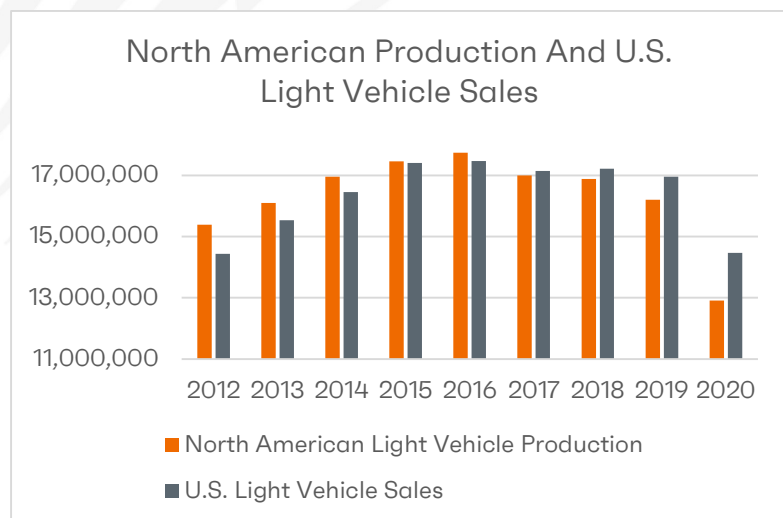
North American Production Outlook (Updated 1/20)

Credit Suisse Outlook: “Inventory remains tight; expect further positive revisions to IHS estimates: While we ultimately expect industry volumes to be dictated by demand trends, supply remains tight, and may remain tight through 1H’21 – especially in lg. pickups. November-end US industry gross stock was 2.8mn units (up ~80k units m/m), an improvement, albeit still quite low vs. the 3.5-4mn level we’ve seen in recent years. Similarly, with November ending at 53 days supply, inventory is still light of the typical ~70 DSO for the industry. We think this is manageable, but tight. Given tight inventory and return of SAAR to pre-virus levels, we expect upside to IHS NA production estimates for 2021.”⁹

WardsIntelligence Update: “Higher penetration of domestically made vehicles bodes well for production in the region, especially because roughly 80% of output is targeted for the local market.

Including an estimate for December, production ended 2020 at 12.91 million units, 20.3% below 2019’s 16.20 million, and a 27.2% decline from 2016’s record total of 17.73 million. Production was last lower in 2010 (11.91 million units).

Like sales, production is forecast to take several years before getting close to its previous peak attained in 2016. But thanks to increased sales penetration of locally made vehicles, production will close in on its previous peak faster than will total light-vehicle sales, equaling almost 99% - 17.52 million units - of its record in 2025.”¹⁰



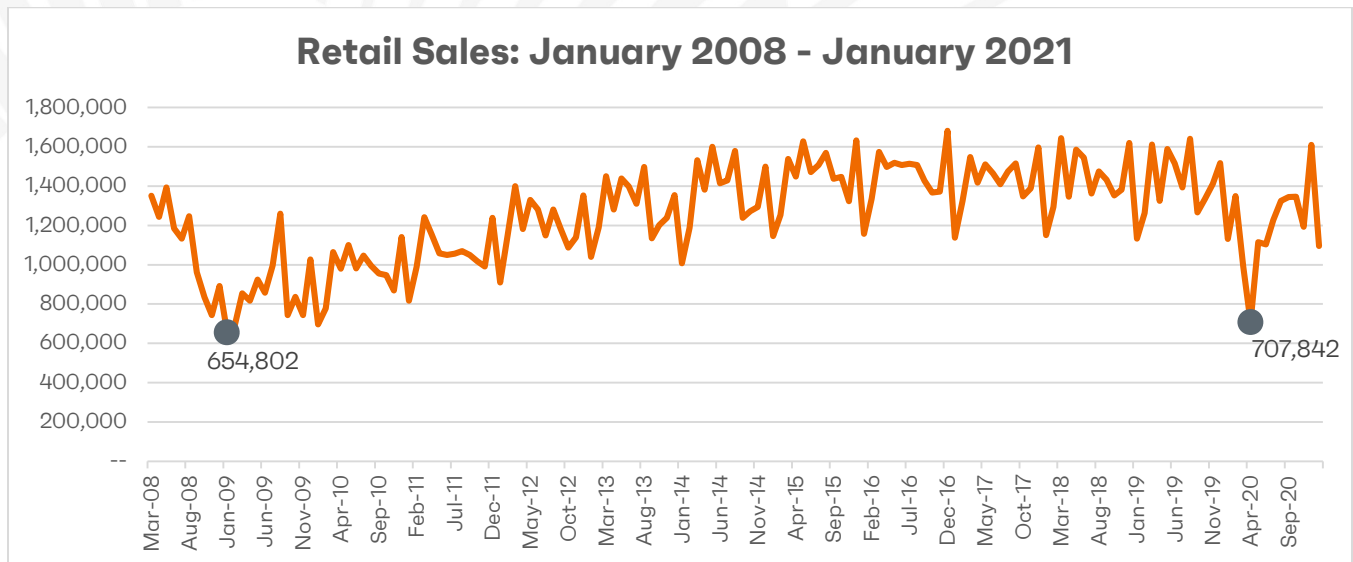
IHS Markit November Update: “The production outlook for North America remains stable for the November 2020 release with 2020 revised up 0.2% or 23,000 units to total 13.0 million units. Production in 2021 was revised up a marginal 9,000 units or less than 0.1% totaling 15.9 million units with 2022 revised down 18,000 unit or 0.1% at 16.3 million units. With the month-over-month trend showing a slow restocking on inventory is underway, the restocking phase for North American production is forecast to continue through second quarter 2021 before moving towards the alignment phase that more closely aligns to demand. During this extended restocking phase, production in the region will outpace demand and is projected to add over 400,000 units to US inventory by the end of second quarter 2021. GM’s announcement to add production of T1XX pickups at Oshawa surprised many, coming about through a deal with the Unifor union that represents Canadian auto workers. Production is expected to start at the retooled facility in January 2022. Production of both the light- and heavy-duty pickups will be added for the December forecast round with volume being mostly incremental for the first 12 to 18 months and totaling upwards of 150,000 units. With Oshawa serving as a relief valve, GM is also expected to garner additional cost savings with reduction in overtime at the already stressed Flint Truck, Fort Wayne and Silao plants.”¹¹

Market Meter

U.S. Light Vehicle Sales (Updated 2/3)

Monthly Sales (Updated 2/3)

This chart helps to put into context the monthly retail sales due to the COVID pandemic and showing the relative drop in sales compared to the 2008 financial crisis.



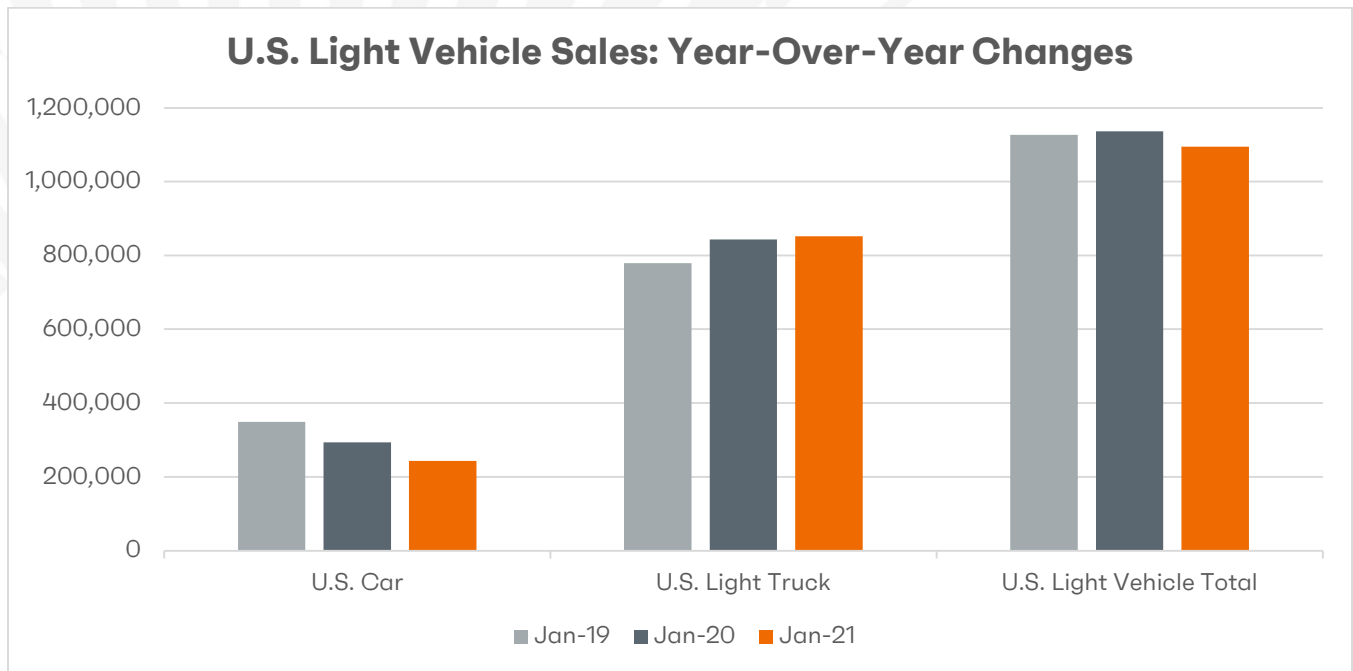
January Sales (Updated 2/3)

WardsIntelligence: “U.S. light-vehicle sales finished January above expectations, posting a 16.6 million-unit seasonally adjusted annual rate. As has been the case for the past several months, increased pandemic-related restrictions and lean inventory did not appear to hamper retail volume in January - just fleet deliveries.

Volume totaled 1.09 million units, 3.7% below like-2020’s 1.14 million. The daily selling rate over the month’s 24 selling days was 45,612, 0.3% above the year-ago total of 45,462 – 25 selling days. It was the first year-over-year increase to the DSR since January 2020.

Incentive spending in January declined year-over-year for the third straight month, but average transaction prices rose for the 31st consecutive time. January’s SAAR was the highest for any month since before the pandemic first impacted the U.S. market last March, and a big improvement on the 16.1 million-unit combined September–December total, which seemed to represent a leveling-off period after the industry rebounded quicker than expected from April’s 8.7 million-unit trough.

The next challenge for the market will be how well sales volumes hold up in February and March with even leaner inventory because of production losses caused by a shortage of microchips. North American production is expected to be reduced at least 230,000 units in Q1 because of the slowdowns.”¹²



Fleet Sales (Updated 2/3)

Credit Suisse: “Fleet still weak but showing continued recovery, especially in daily rental: Fleet sales saw another challenged month, down ~28% in November – a decline vs. Oct -22%, albeit an improvement from down ~40% in Aug/Sep, and certainly much better than down ~70% in April-June. Fleet remains a tale of three channels, with sharp weakness in daily rental somewhat offset by government and commercial. Indeed, daily rental sales were down ~40% in November, still quite weak, albeit flat vs. Oct, and a sharp improvement from ~-60% in September and vs. the ~80-90% declines we saw in May-Aug (daily rental typically accounts for ~10% of US auto sales). Conversely, commercial and government have mostly held in, with commercial down low double digits % in November and government up low single digit %. We see potential for continued fleet recovery into 2021, even if not at normalized levels.”¹³

Wards Intelligence: “Based on DSRs, estimated retail deliveries increased 7% year-over-year, while fleet was down 24%. Retail has increased in four of the past five months; fleet has declined 13 consecutive months, including an average downturn of 28% since September.”¹⁴

J.D. Power: “Fleet sales are expected to total 182,300 units, down 25% from January 2020 on a selling day adjusted basis. Fleet volume is expected to account for 17% of total light-vehicle sales, down from 22% a year ago.”¹⁵

J.D. Power Retail and Fleet Sales Forecast

| | Pessimistic Forecast | Optimistic Forecast | Pre-COVID Baseline Forecast |
|---|-----------------------------|----------------------------|------------------------------------|
| Retail Sales Forecast (million) | 11.3 | 12.3 | 13.4 |
| Fleet/Other Sales Forecast (million) | 1.6 | 1.9 | 3.4 |
| Total Sales Forecast (million) | 12.9 | 14.2 | 16.8 |
| Fleet Percent of Total Sales | 12% | 13% | 20% |
| Retail Percent of Total Sales | 88% | 87% | 80% |
| Fleet Loss From Baseline of 3.4 (million) | -1.8 | -1.5 | - |
| Fleet Loss as % Baseline Fleet Sales | -53% | -44% | - |
| Fleet Loss as % Total Sales | -14.0% | -10.6% | - |

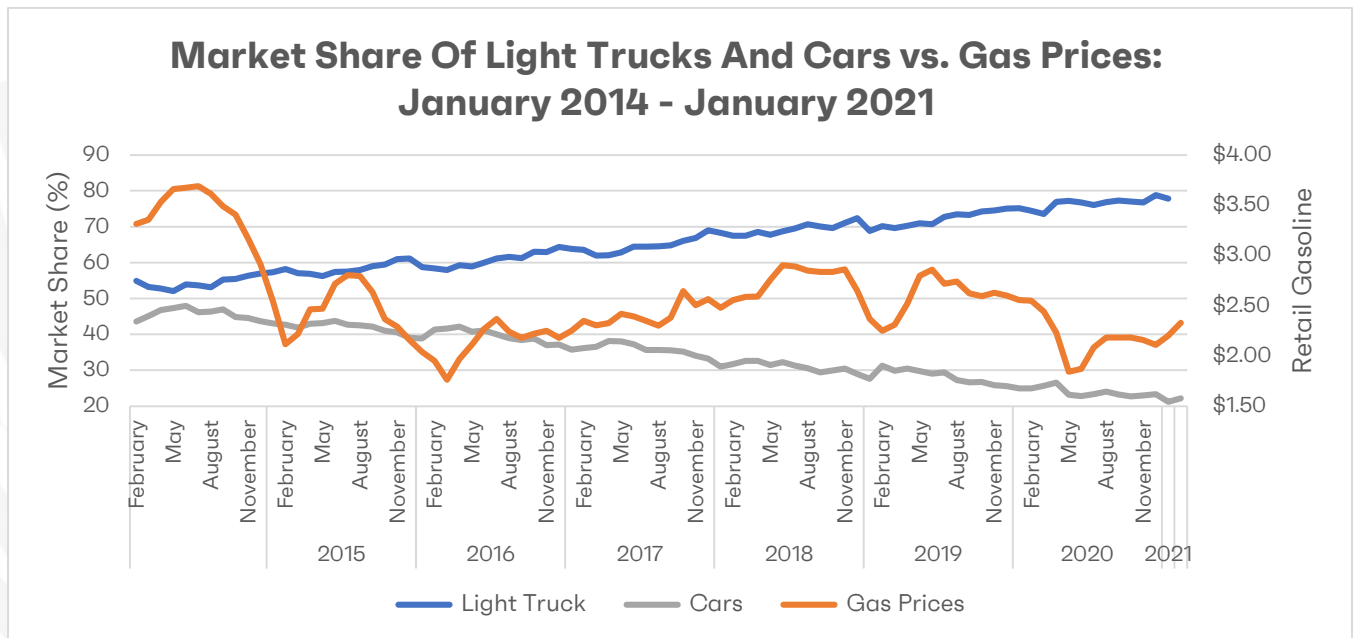
Segments vs. Gas Prices (Updated 2/3)

WardsIntelligence: “By vehicle type, trucks increased 4.8% year-over-year in January, while cars declined 13.6%. Trucks accounted for 77.7%of the market, up from like-2020’s 74.2%. Led by a 7.8% gain in all SUVs, as well as a 12.5% rise in the Small Pickup segment, all truck segment groups posted year-over-year increases. Except for Small Car – down 8.3% - all car segment groups recorded declines well into double digits.”¹⁶

Segment Sales For December: For the year, the CUV segment group posted record market penetration of 43.3%. Except 2012, CUV penetration has risen every year since the first one hit the market it 1995. The SUV group recorded its highest annual market share (8.7%) since 9.0% in 2008. In

entire-2020, CUVs and SUVs for the first time accounted for over half the market – 52%. With 19.7% of the market in 2020, the Pickup group recorded its highest market share since at least 1970 – when WI’s digital records begin – and probably for the post-World War II era, if not before then. Inside the group, the Large Pickup segment’s 15.5% market share in 2020 also was a likely post-World War record.¹⁷

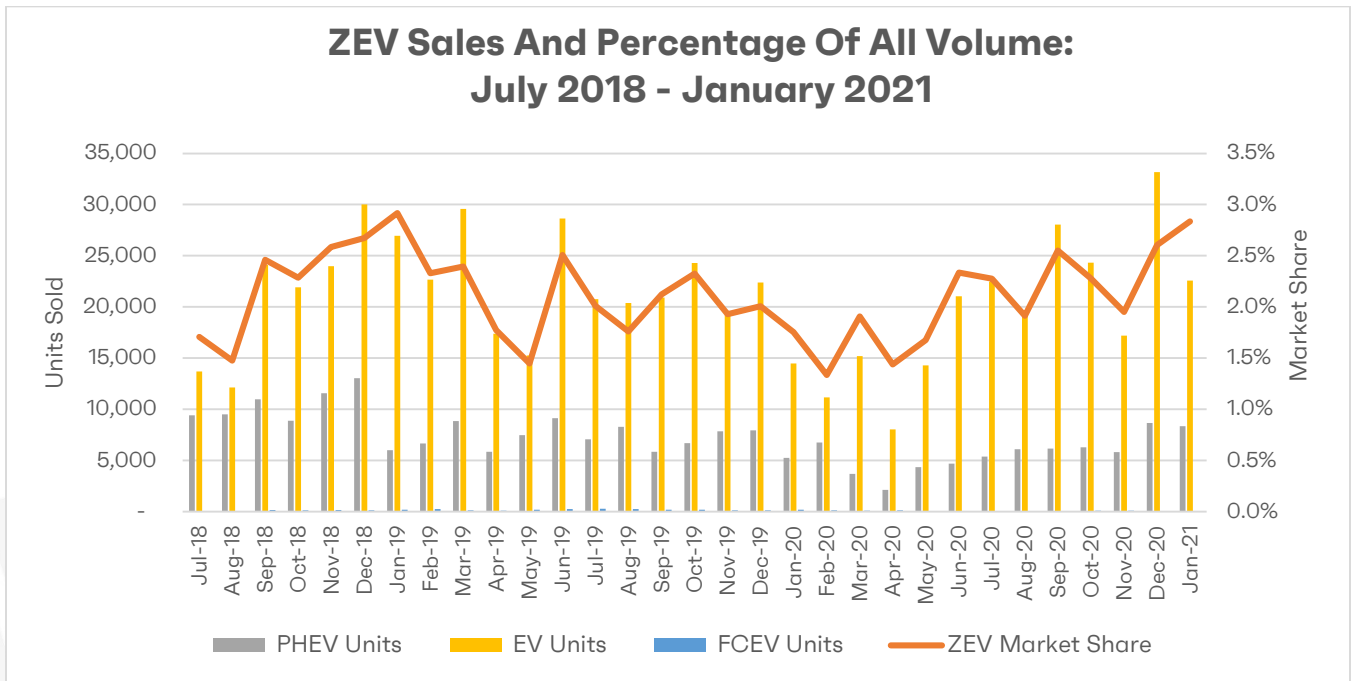
Historic Perspective: The upward trend in the popularity of light trucks over cars has been steady since 2013, when only 2% of annual market share separated the two segments.¹⁸ and gas was over \$3.00.¹⁹ a gallon. As fuel prices dropped below the \$3.00 mark in mid-September 2014, light truck sales began to take off – and never looked back. Gas prices since have averaged only \$2.68 a gallon (through October 2020) and when combined with increased fuel economy for light trucks, an increase of 4 mpg since 2013, the perfect conditions existed to continue fueling light truck market growth.²⁰



ZEV Powertrain Sales (Updated 2/3)

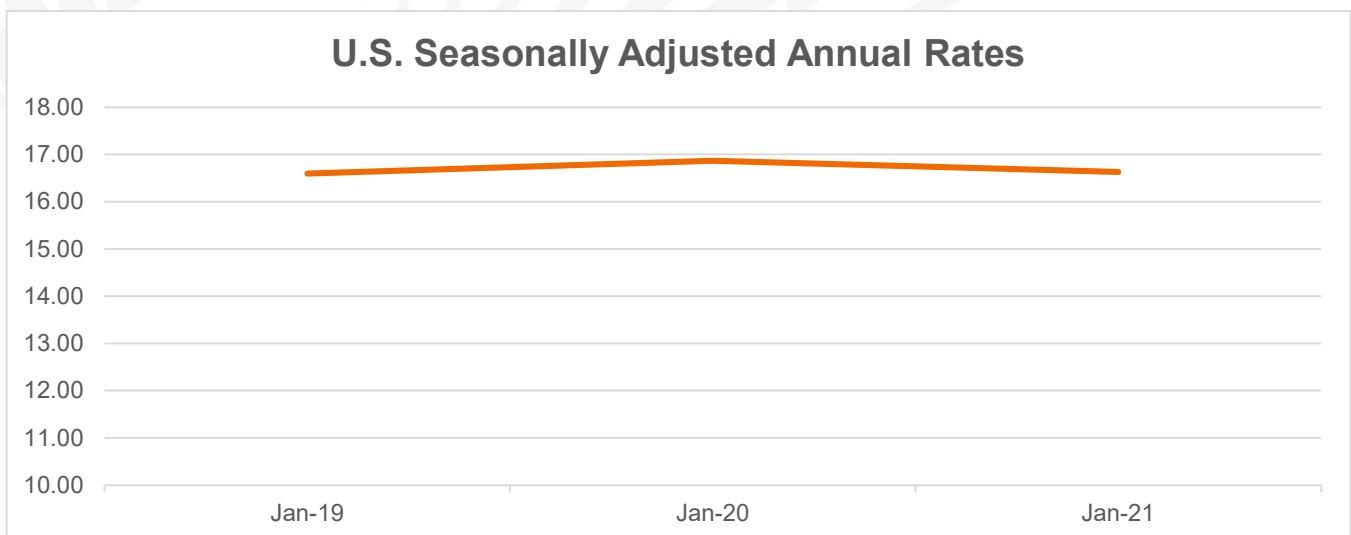
Sales of zero emission vehicles (BEV, PHEV, & Fuel Cell) accounted for 2.9% of total vehicle sales in January 2021, up 2.7% from a year ago and 2.5% from December 2020. Sales of battery electric vehicles led the way for ZEVs, accounting for 2.1% of total sales, a jump from 1.8% from December 2020, but down from 2.3% in January 2020. Plug-in hybrids accounted for 0.8%, about double the percent from the same time last year and slightly higher than the 0.7% December number.²¹

Credit Suisse: “For all the hype around EV euphoria, we still haven’t seen the inflection in the US. YTD BEV+PHEV sales in the US are down ~12% y/y, outpacing the industry decline of -17%...albeit EV sales in the last 3 months are up 20%+ y/y; BEV+PHEV have accounted for 2.0% of vehicle sales YTD.”²²



Seasonally Adjusted Annual Rates (Updated 2/3)

“January’s SAAR was the highest for any month since before the pandemic first impacted the U.S. market last March, and a big improvement on the 16.1 million-unit combined September-December total, which seemed to represent a leveling-off period after the industry rebounded quicker than expected from April’s 8.7 million-unit trough.”²³



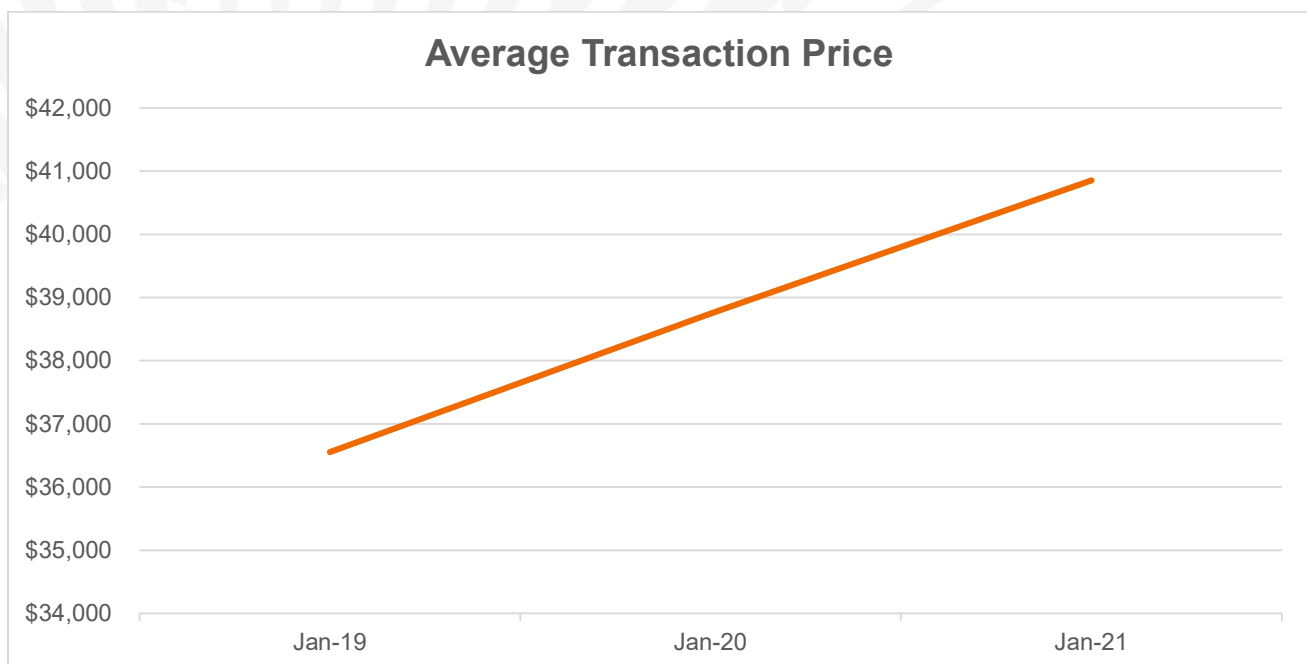
Average Transaction Price (Updated 2/17)

J.D. Power: “Average transaction prices are expected reach another monthly high, rising 8.4% to \$37,165, the highest ever for the month of January and just below the record set in December 2020. Disciplined incentives and discounting, along with the shift towards more expensive trucks and SUVs, remain the key drivers of higher prices. SUVs and trucks are on pace to account for a combined 78% of retail sales compared with 73% a year ago. For context, average transaction prices are 20% higher in January 2021 than they were in January 2016 at \$30,838.

Low interest rates and higher trade-in values also are supporting higher transaction prices. The average interest rate for loans in January is expected to fall 117 basis points from a year ago to 4.4%. Over the same time, the average monthly finance payment is up only \$14 to \$599. Concurrently, the average trade-in value has risen to \$5,298, an increase of \$773 or 17.1%, from a year ago. Loan terms are relatively stable with the average term up less than one month, to 70 months, compared with a year ago.

The combination of strong retail sales, higher transaction prices and smaller discounts means that January 2021 likely will be one of the most profitable Januarys ever for both retailers and manufacturers.²⁴

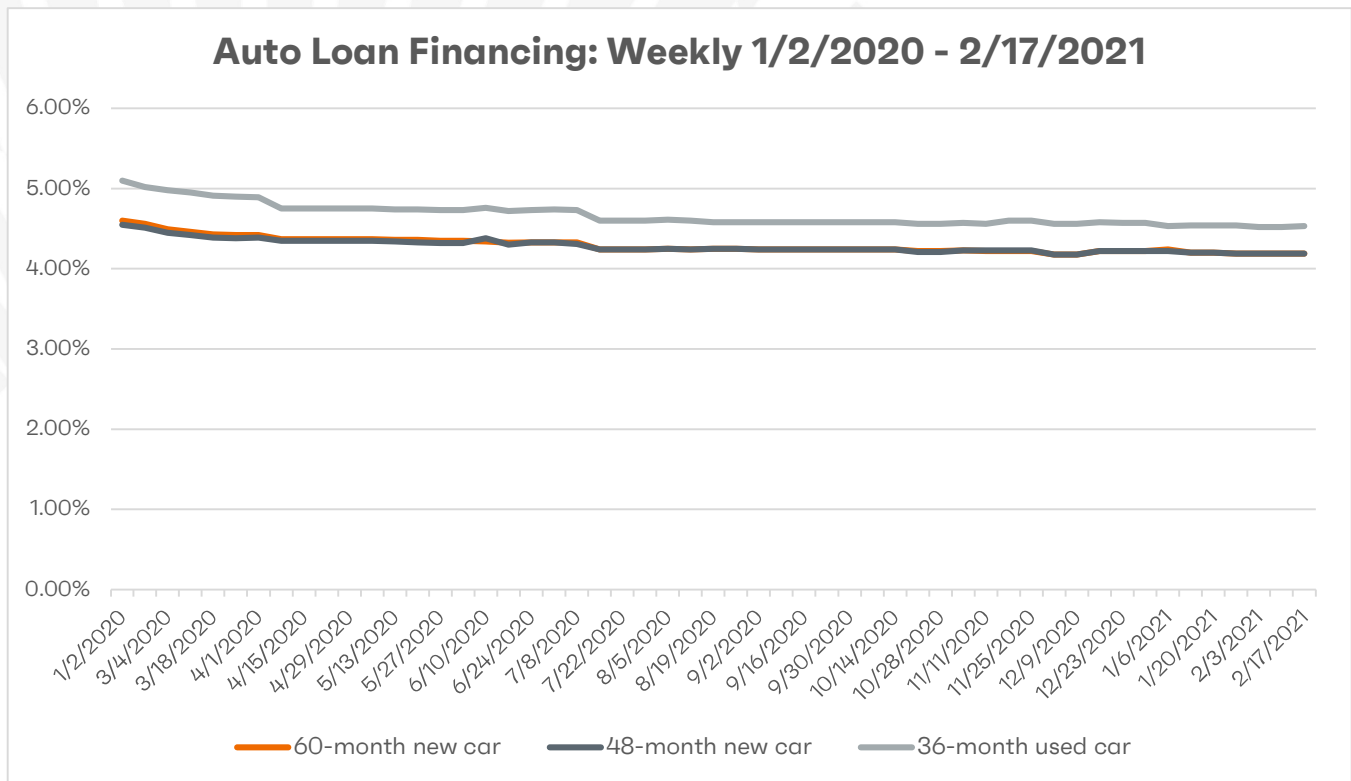
Kelley Blue Book: “The valuation analysts at Kelley Blue Book today reported the estimated average transaction price for a light vehicle in the United States was \$40,857 in January 2021. New-vehicle prices increased \$2,110 (up 5.45%) from January 2020, while falling \$295 (down 0.72%) from last month.”²⁵



Auto Loan Financing (Updated 2/17)

Financing Rates Set New Low For The Year: So far in February, rates have remained the same for 60 months at 4.19%, but ticked up ever so slightly to 4.53% for a 36-month used car loan. Buyers seeking a 48-month loan also saw no decline in interest rates from the previous couple of weeks. Rates have remained relatively static since mid-July until starting to dip in November. Since the beginning of last year, rates are down 0.41% and down the same amount from about a year ago.²⁶

| Dates | 60-month new car | 48-month new car | 36-month used car |
|---------------------|------------------|------------------|-------------------|
| 12/4/2019 | 4.61% | 4.57% | 5.11% |
| 1/2/2020 | 4.60% | 4.55% | 5.10% |
| 2/3/2021 | 4.19% | 4.19% | 4.52% |
| 2/10/2021 | 4.19% | 4.19% | 4.52% |
| One Week Change | 0.00% | 0.00% | 0.01% |
| Two Week Change | 0.00% | 0.00% | 0.01% |
| Change since 1/3/20 | -0.41% | -0.36% | -0.57% |
| One Year Change | -0.37% | -0.32% | -0.49% |

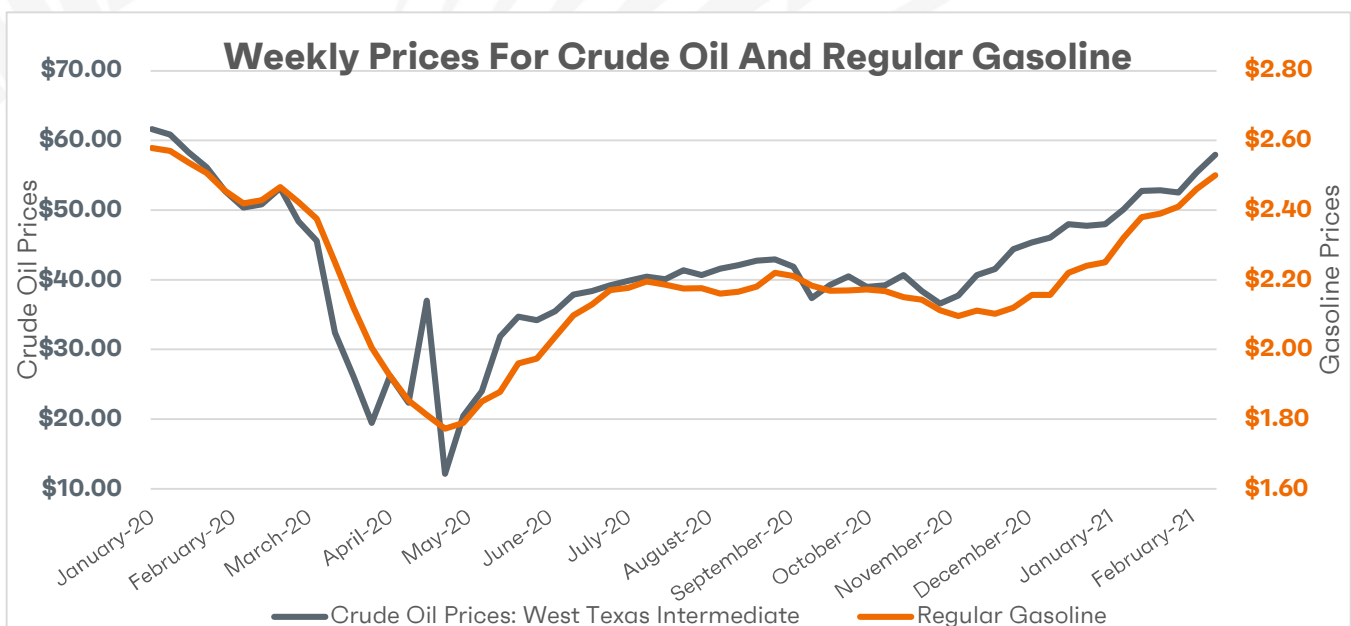


Crude Oil and Gas Prices (Updated 2/17)

EIA Outlook For Gasoline: “U.S. regular gasoline retail prices averaged \$2.33 per gallon (gal) in January, compared with an average of \$2.20/gal in December and \$2.55/gal in January 2020. EIA forecasts gasoline prices to average \$2.44/gal in 2021 and \$2.46/gal in 2022. U.S. diesel fuel prices averaged \$2.68/gal in January compared with \$2.58/gal in December and \$3.05/gal in January 2020, and EIA forecasts it will average \$2.70/gal in 2021 and \$2.77/gal in 2022.”²⁷

EIA Outlook For Production: “EIA estimates that U.S. crude oil production averaged 11.0 million b/d in January, which is down slightly from 11.1 million b/d in November (the most recent month for which historical data are available). EIA expects production will continue to decline slightly in the coming months, reaching 10.9 million b/d in June. Although oil-directed drilling has increased in the United States in recent months, the number of active drilling rigs remains lower than year-ago levels. EIA expects production from newly drilled wells will be more than offset by declining production rates at existing wells in the first half of 2021. However, based on EIA’s forecast that West Texas Intermediate crude oil prices will remain near or higher than \$50/b during the forecast period, EIA expects drilling will continue to increase. ... EIA estimates that U.S. crude oil production will average 11.0 million b/d in 2021—down from 11.3 million b/d in 2020 and 12.2 million b/d in 2019—and will rise to 11.5 million b/d in 2022.”²⁸

Oil Rises To Highest Level Since Before The Pandemic, While Gas Continue To Trend Up: Oil prices, as benchmarked at West Texas Intermediate, jumped over \$2 again, nearing over \$58 per barrel – the first time since last January, when life in America was relatively normal. Since election day, oil prices have climbed about \$18 a barrel – or almost 47 percent. As such, prices at the pumps are rising as well. EIA reports a gallon of regular gas is now \$2.50, the highest price since late last January, but still about three percent lower than prices the beginning of 2020.²⁹

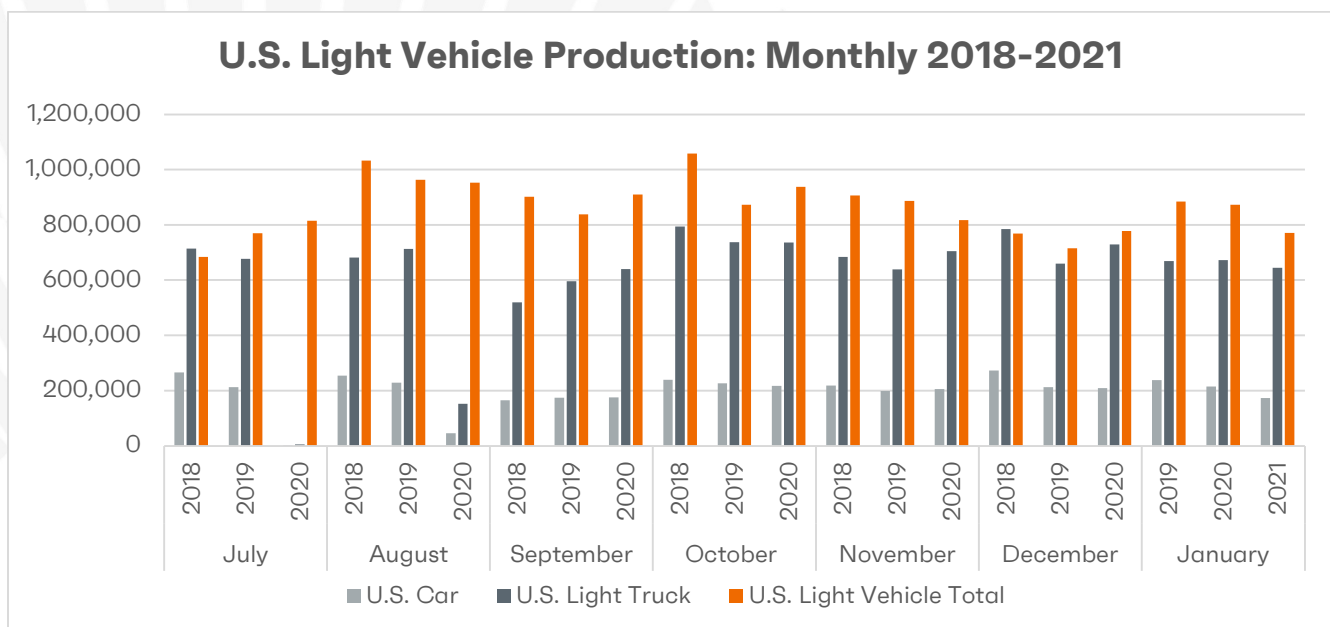


Production Meter

U.S. Light Vehicle Production (Updated 2/17)

WardsIntelligence: “Including an estimate for December, production ended 2020 at 12.91 million units, 20.3% below 2019’s 16.20 million, and a 27.2% decline from 2016’s record total of 17.73 million. Production was last lower in 2010 (11.91 million units). Like sales, production is forecast to take several years before getting close to its previous peak attained in 2016. But thanks to increased sales penetration of locally made vehicles, production will close in on its previous peak faster than will total light-vehicle sales, equaling almost 99% - 17.52 million units - of its record in 2025.

In fact, because of still-depleted inventory caused by the widespread Covid-19 related plant shutdowns the industry undertook in the March-to-June period last year – with the month of April falling to nearly zero production – production in 2021 will rebound much more sharply than sales. Output in 2021 is forecast to rise 22.6% in 2021 to 15.82 million units. Post-2021, production is forecast to average year-over-year increases of 2.6% through 2025.”³⁰



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U.S. Light Vehicle Inventory and Days' Supply (Updated 2/17)

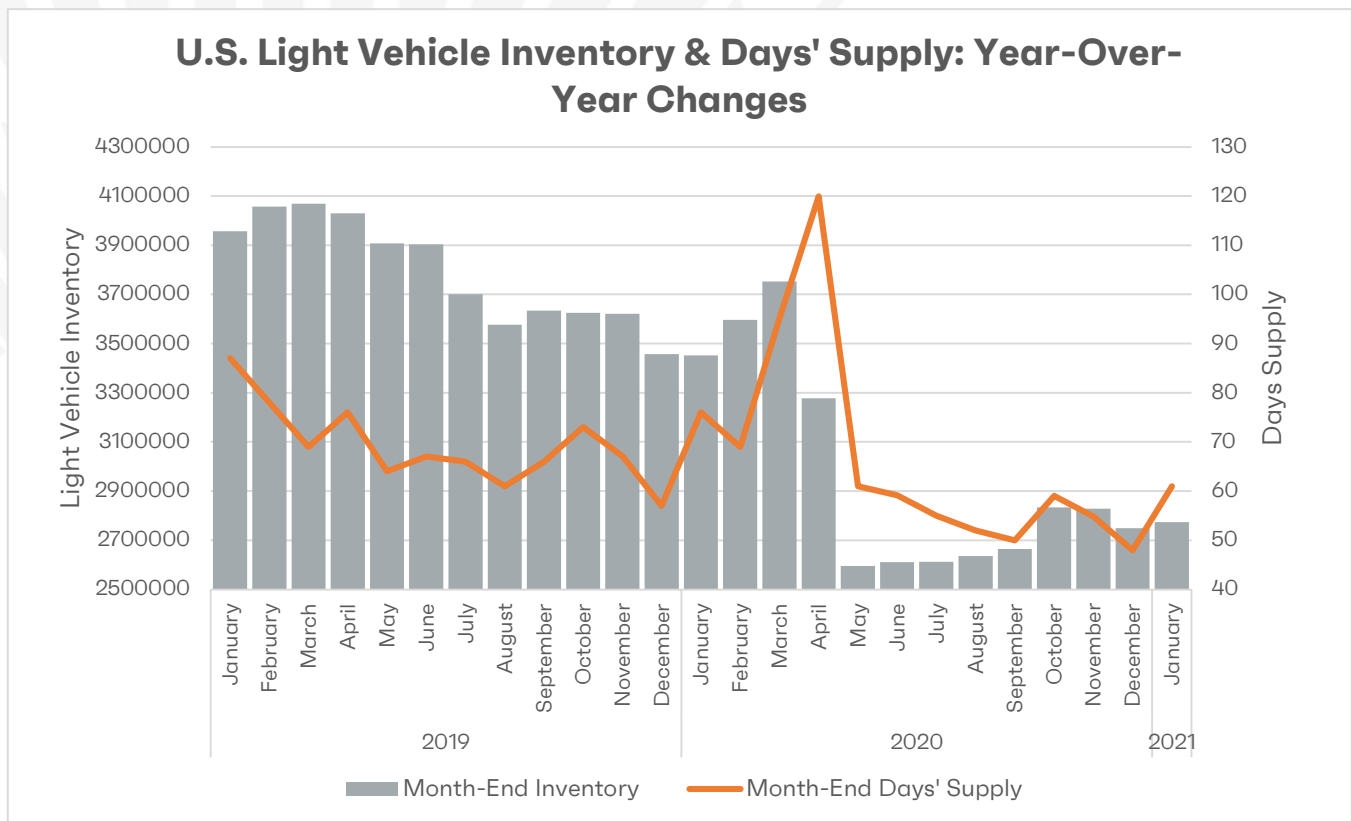
WardsIntelligence Inventory Update: “U.S. light-vehicle inventory ended January at 2.77 million units, 20.2% below like-2020, and at least 50,000 units lower because of production stoppages caused by a global shortage of microchips. Microchip-related North American production losses, as well as possible cuts in imports, could reduce vehicle availability over the entire first quarter by an estimated 250,000 units.

Inventory in February 2020, the last full month prior to when the pandemic began impacting the U.S., was 11% below the same year-ago period. Industrywide production shutdowns caused inventory to fall to 34% below like-2019 totals last June. Since then, vehicle availability had been slowly improving based on year-to-year comparisons, but the outlook is for a reversal of that trend beginning this month.

However, it's not unreasonable for sales to continue levels of the past several months over the rest of the first quarter. If the industry can turnover half its start-of-month inventory in February and March, as it did for much of the second half of last year, sales could continue, and even exceed, the 16.2 million-unit seasonally adjusted annual rate averaged over the past five months.

If sales continue the pace of the past five months in February-March, and automakers do not find a way to begin alleviating the parts shortage sooner than expected, inventory heading into the second quarter – usually the highest volume quarter of the year – is projected to be 25% to 30% below the year-ago total, and possibly at a 10-year low for the month.”³²

J.D. Power: “Lean inventories mean that vehicles are selling quickly once they arrive at dealerships, and they are selling with lower discounts. The average number of days a new vehicle sits on a dealer lot before being sold is on pace to fall to 51 days, down 19 days from last year.”³³



Global Meter

Global Light Vehicle Sales Outlook (Updated 2/17)

Wards Intelligence Outlook: “The world vehicle market ended the year 13.9% below 2019 with 79.19 million deliveries, the lowest annual total since 2012. The loss of close to 13 million units came from every region and was primarily attributed to the economic effects of the coronavirus. This dismal result followed flat sales in 2018 and a 4.2% decrease in 2019, after having risen steadily since the economic crisis in 2009.

Demand in all regions was weakest in the spring when lockdown measures to slow the spread of the pandemic were the strictest. Sales were down 27.0% at the end of Q2 but picked up in most regions in September.

Sales rose 3.0% in December to 8.39 million, the third month of growth all year. The increase was driven by a 5.9% gain in the U.S. and a 6.4% boost in China. Several smaller markets also posted strong results, including India (+11.4%), Japan (+22.8%) and Germany (+9.4%).

The Asia-Pacific region ended the year with the least damage, falling 7.4% to 38.88 million, from full-year 2019’s 41.97 million. Market share rose from 45.6% to 49.1% and briefly reached a record 66.1% share in April when the virus first reached around the world. Like other regions, sales were stronger in the second half of the year, driven by a rebound in China. At the end of the first half sales were down 21.6%, but the gap narrowed to 2.4% at the end of Q3.

Though it was ground zero for the coronavirus in January, China also was among the most successful at containing the outbreak, which allowed for faster economic reopening and recovery. After crashing 78.8% to 314,000 units in February and falling another 42.5% in March, sales rose each month for the rest of the year. China finished just 1.8% below 2019 at 25.30 million deliveries. Government incentives, especially on commercial vehicles, helped boost demand.

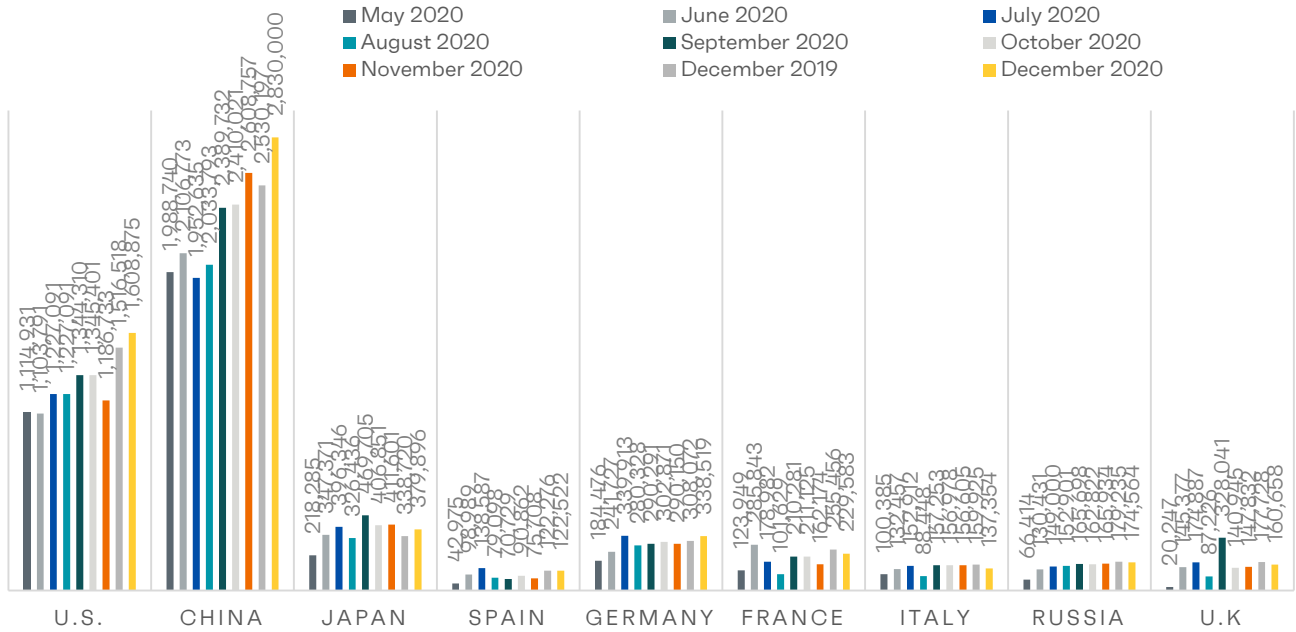
Sales in Japan sank 11.5% to 4.60 million, despite avoiding mandatory lockdowns and still managing extraordinarily low COVID-19 cases and deaths. It was the smallest annual vehicle total since 2009, when Japan was hit particularly hard by the global financial crisis and when an outbreak of the swine flu closed schools for a week in May. However, demand rose significantly at the end of the year: The 2020 Q4 total jumped 18.8% over same-period 2019.

Sales in Europe dropped 20.2% to 16.56 million vehicles, the region’s biggest annual decrease in history, as countries enforced strict economic restrictions against the spread of the virus. At the end of June, sales were down 36.2% from 6-month 2019’s tally.

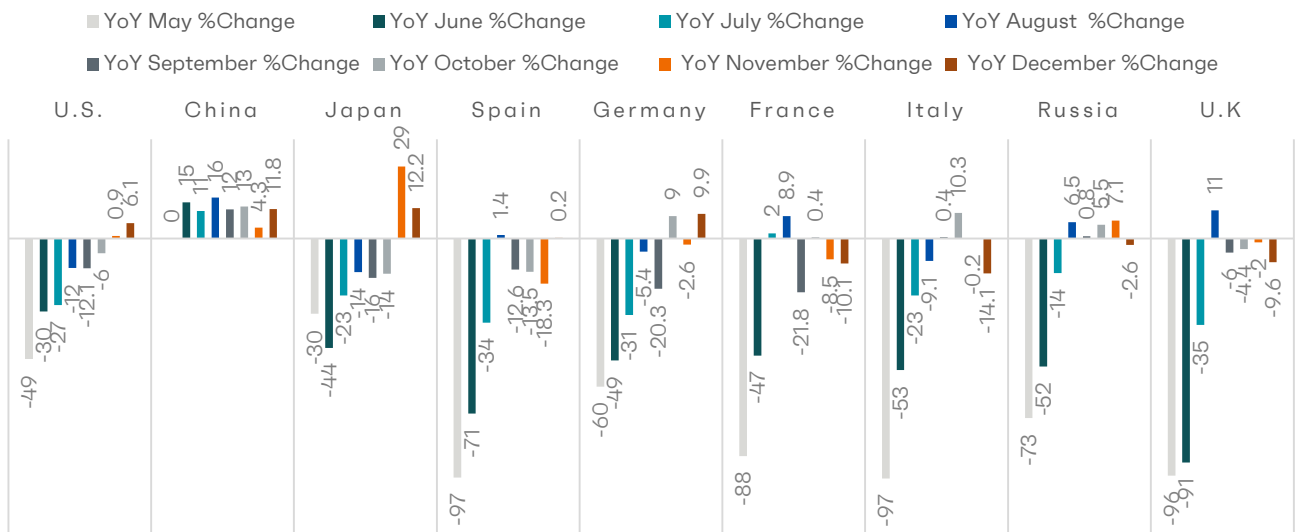
The hardest hit region was South America, where an already fragile industry lost 26.6% of sales with a total of 3.04 million deliveries for the year. Brazil, the world’s seventh-largest market after France, dropped 26.2% to 2.06 million, ending a 3-year stretch of gains.”³⁵

Sales in select countries around the globe, including year-over-year percent change by month as well as raw volume by month:

Light Vehicle Sales By Country



Light Vehicle Sales By Country: Year-Over-Year Percent Change By Month

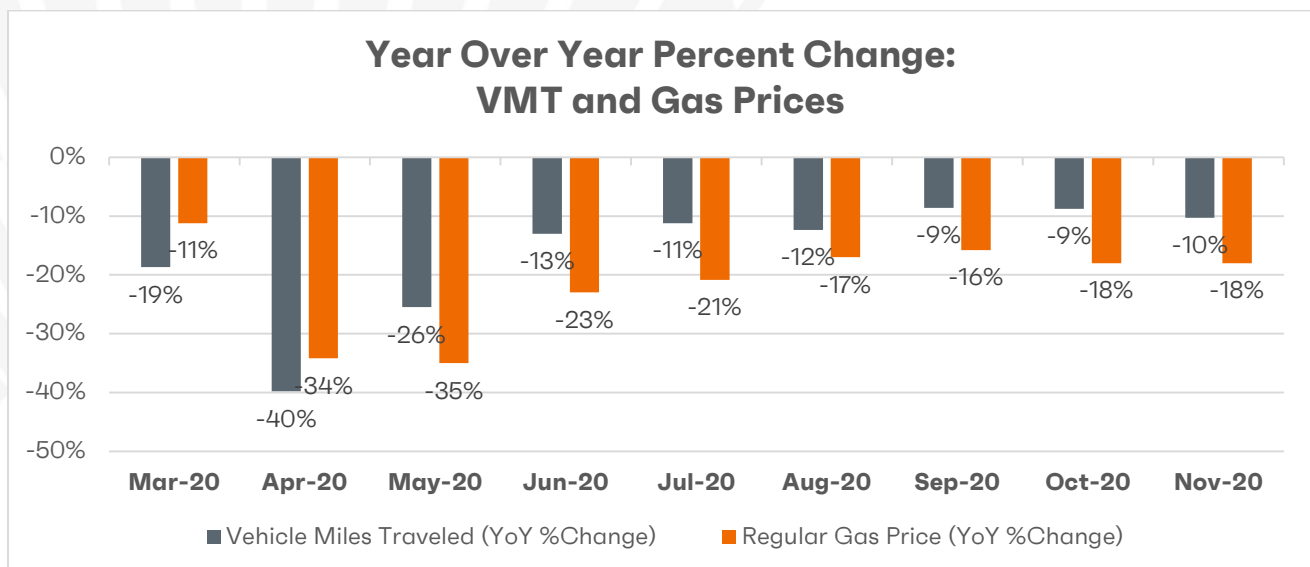


Recovery Meter

Roadway Travel (Updated 1/27)

According to the U.S. Department of Transportation, seasonally-adjusted vehicle miles traveled in November fell over 10 percent from the same time a year ago, with year-over-year VMT dropping ever so slightly from September and October figures. Overall, cumulative travel is down 14 percent or about 410 billion vehicle miles.³⁶

- “Travel on all roads and streets changed by -11.1% (-28.9 billion vehicle miles) for November 2020 as compared with November 2019. Travel for the month is estimated to be 231.6 billion vehicle miles.
- “The seasonally adjusted vehicle miles traveled for November 2020 is 244.8 billion miles, a -10.3% (-28.2 billion vehicle miles) decline from November 2019. It also represents -0.7% decline (-1.6 billion vehicle miles) compared with October 2020.
- Cumulative Travel for 2020 changed by -13.7% (-410.0 billion vehicle miles). The cumulative estimate for the year is 2,583.1 billion vehicle miles of travel.”



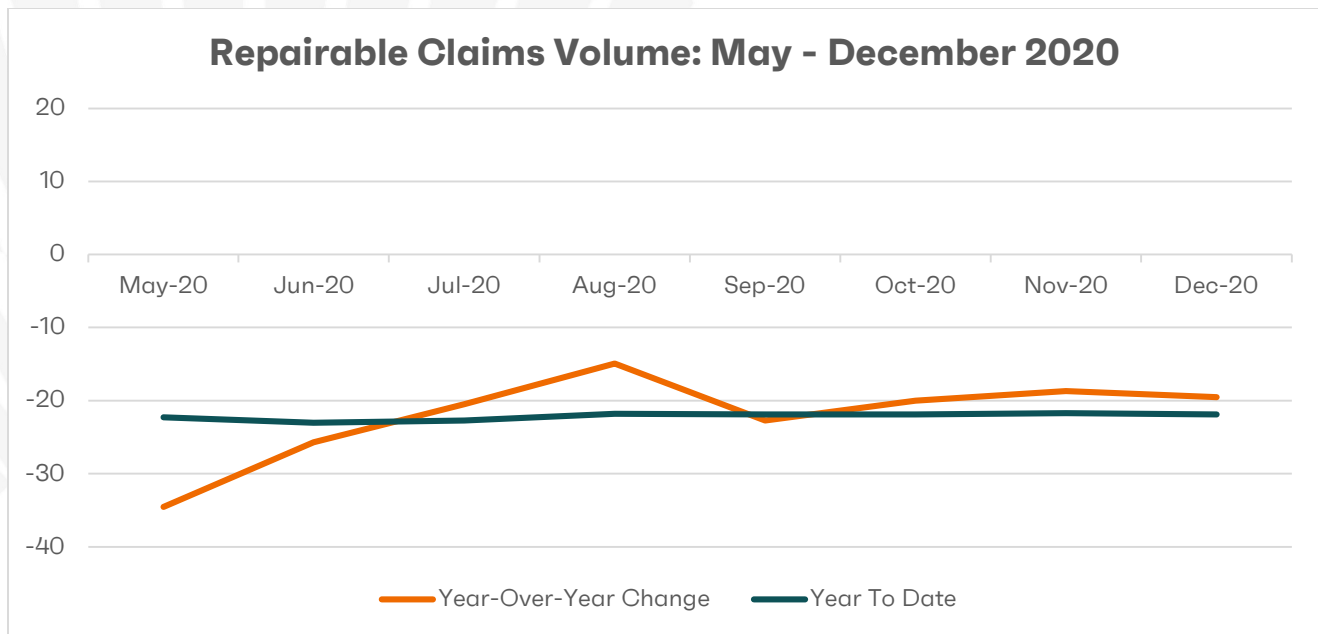
Repairable Claims (Updated 1/13)

At the beginning of 2020, the economy was strong, unemployment rates were low, congestion levels were high in many urban areas, and miles driven continued to grow. Auto accident and claim frequency had started to flatten, but average vehicle repair costs continued to rise. And then the pandemic. In response to rising diagnoses, hospitalizations, deaths, and immense uncertainty, many states began issuing shelter-at-home orders in mid-March. All but essential and frontline workers sheltered at home; many companies furloughed or let employees go, while those that could have their

employees work remotely, quickly set them up to do so. Daily trips and miles driven in the U.S. plummeted, and auto accidents and claim counts followed suit.

Latest Data From CCC: “Repairable appraisal counts for the full calendar year were down -21.3 percent versus CY 2019; when excluding comprehensive losses, repairable counts were down -26 percent for the full year.

- After plunging -35 percent in Q2, repairable appraisal counts improved to -20.2 percent in Q3 and to -19.7 percent in Q4, with bad weather in many parts of the U.S. helping to counter decline in volume due to less driving, particularly during rush hour.
- Non-comprehensive repairable appraisal counts however reversed course again in Nov’20 and Dec’20, as the CDC recommended people forgo holiday travel, and a third wave of the virus drove up new COVID-19 cases, hospitalizations, and fatalities.
- Even numerous winter storms with lots of ice failed to lift accident counts in December, since many drivers were off the roads altogether, working remote and doing much of their holiday shopping online.³⁷



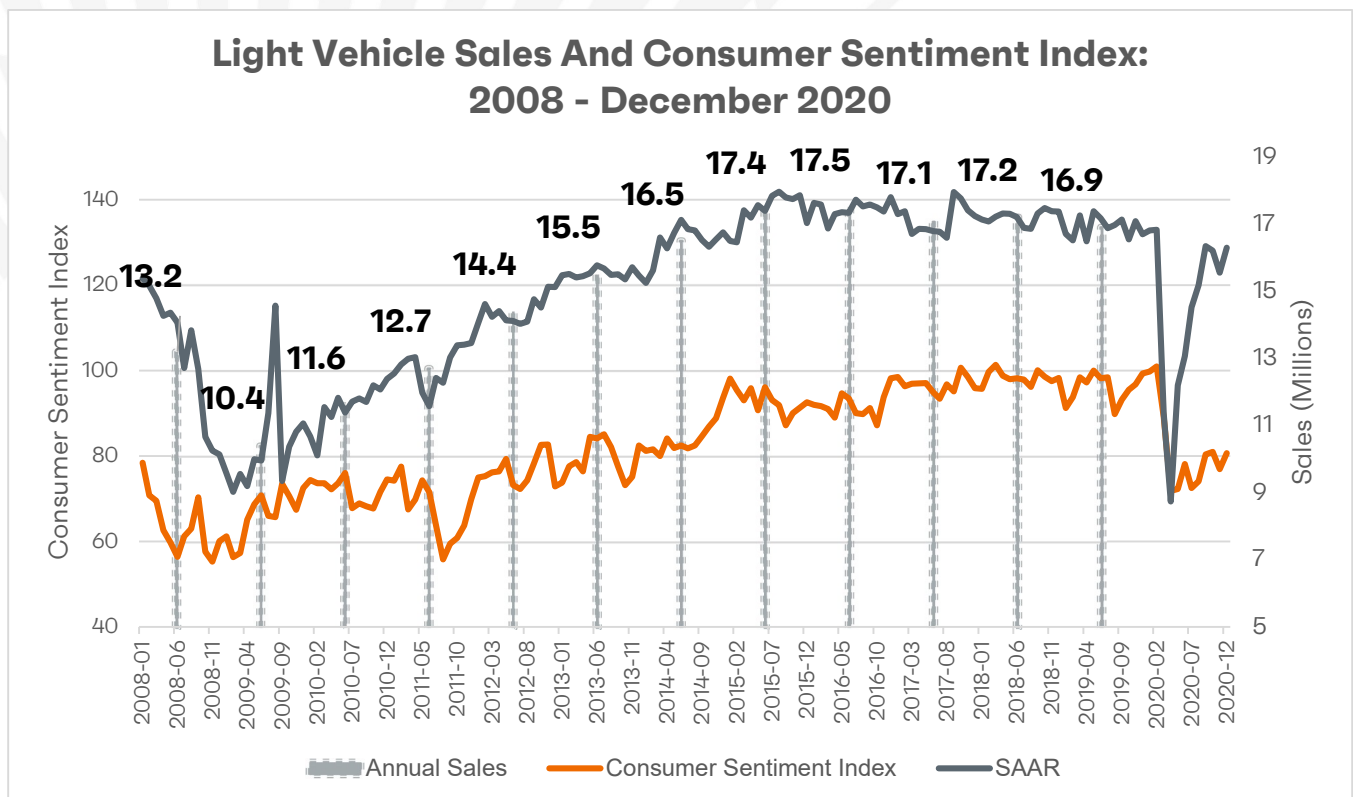
Economic News (Updated 2/10)

Paul Traub Of The Federal Reserve Bank of Chicago Predicted The U.S. Economy Will Rebound In 2021 From Previous Peaks If Vaccines And Public Action Stops The Virus. “The economy recovered relatively quickly after the initial hit of the Covid-19 pandemic. We saw a V-shape recovery in GDP. ‘We spent our way out of it,’ Paul said. While personal consumption expenditures on service were down greatly, spending on durable and non-durable goods shot up. The new-car-buying population is high-income, the group least affected by unemployment and reduced wages. Employment figures look

better than they really are. Unemployment looks low, but participation is down (people, especially women, have given up looking for a job, and thus are no longer counted as ‘unemployed’). Wages seem to have risen, but the lower-income population was hit most by job losses, shifting the average to those who were able to retain their position. Economic forecasts estimate the U.S. economy could get back to its previous peak sometime in 2021, but only if vaccines and public action are successful at controlling the spread of the virus. Current trends that could have a negative impact on light-vehicle sales in the future: decline in the rate of licensed drivers, lower number of households plus household size declining, normalizing of working from home, and overall drop in average vehicles miles traveled.”³⁸

January U.S. Manufacturing Job Gains Decreased By 10,000 Jobs, Ending Eight Straight Months Of Manufacturing Job Growth. “Employment in manufacturing changed little over the month (-10,000), following 8 months of growth. Within the industry, durable goods lost 17,000 jobs in January. Employment in manufacturing is up by 803,000 since April but is 582,000 lower than in February.”³⁹

- Jobs At Auto Dealerships Helped To Increase December Employment In The Retail Sector.**
 “Retail trade added 121,000 jobs in December, with nearly half of the growth occurring in the component of general merchandise stores that includes warehouse clubs and supercenters (+59,000). Job gains also occurred in nonstore retailers (+14,000), automobile dealers (+13,000), health and personal care stores (+10,000), and food and beverage stores (+8,000). Employment in retail trade is 411,000 lower than in February.”⁴⁰



U.S. Car And Truck Production Credited With Giving The Economy Its Biggest Boost In 50 Years.

“U.S. car and truck production in the third quarter gave the economy its biggest boost in almost a half century. A surge in motor-vehicle output contributed just over 6 percentage points to the annualized 33.1% increase in gross domestic product, according to government data. That was the largest share since the first quarter of 1971, when United Auto Workers union members were returning to assembly lines after a months-long strike.”⁴¹

Consumer Confidence and Sales (Updated 1/13)

The Sentiment Index slipped in late December, although it remained higher than last month despite the ongoing surge in Covid infections and deaths. The improvement was due to a large and rapid partisan shift, with Democrats becoming much more positive and Republicans much more negative. The largest change was in long term business prospects, as twice as many Democrats as three months ago expected a continuous expansion over the next five years (54% up from 27%), while that same favorable expectation was nearly cut in half among Republicans (32% down from 60%). The pandemic has had a much greater relative impact on assessments of the overall economy than on assessments of consumers' current personal financial situations. Since the start of the pandemic, however, a huge divide has grown across households in how they assess their own personal finances: the finances of those that continue to be employed and working at home have remained positive while those who have lost jobs and incomes have been quite negative.⁴²

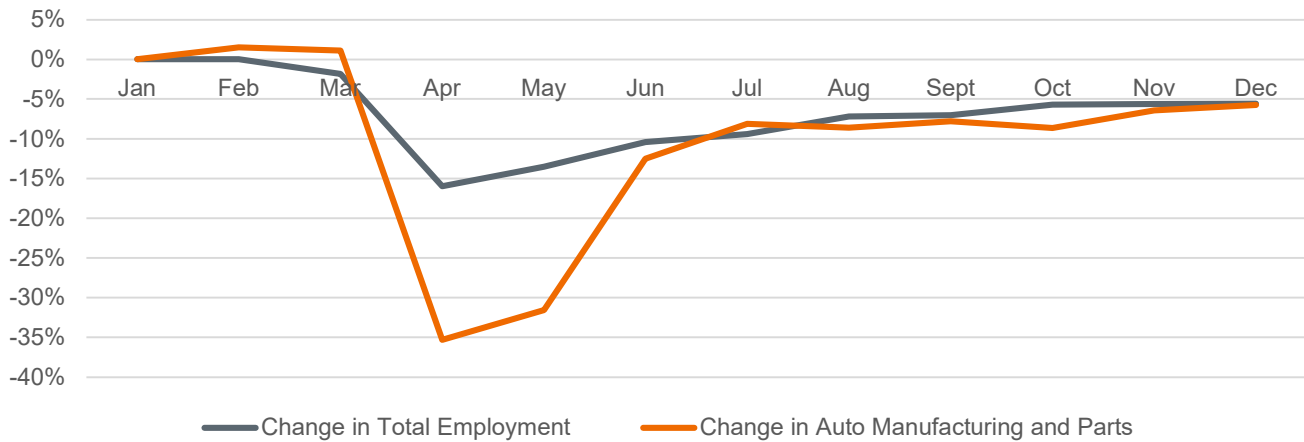
Employment (Updated 1/13)

After a loss of nearly 350,000 employees (about 35% of the workforce) in the height of the pandemic, employment in the Automobile Manufacturing and Parts sectors has raced back and is now only down about 67,800 employees, constituting a 5.76 percent loss since January. December's employment is an improvement of about 7,000 jobs since November.⁴³

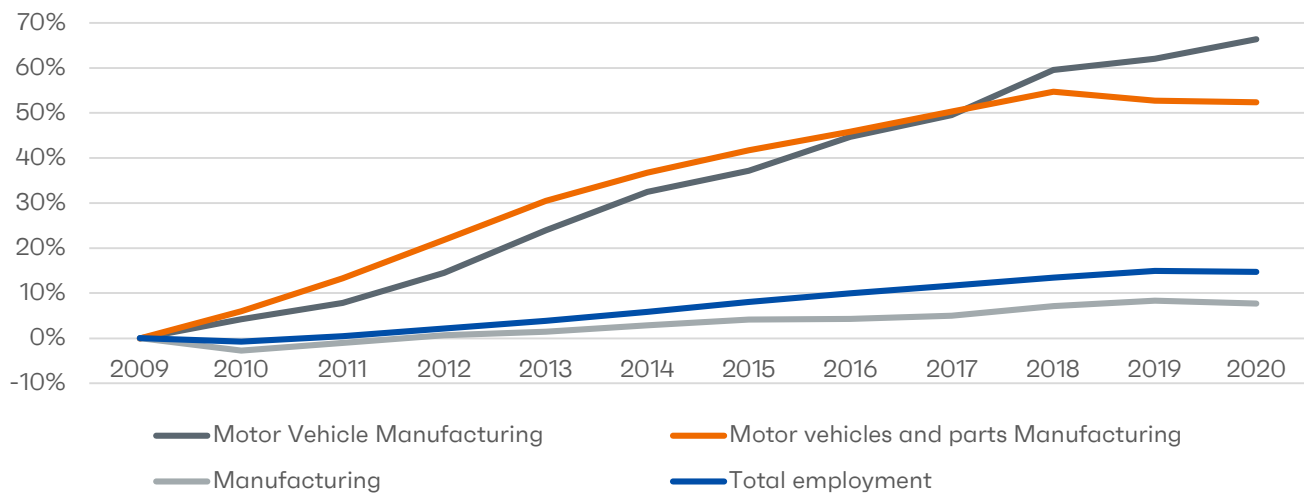
After the recession in 2009, the auto industry was credited with being on the leading edge of the recovery, which began a ripple effect through other parts of the country.⁴⁴

Additionally, the chart below shows how the recovery of jobs in motor vehicle manufacturing alone and motor vehicle and parts manufacturing far outpaced the recovery of manufacturing and total jobs.

Change in Employment Since January 2020



Employment Growth: 2009 - January 2020



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³ Haig Stoddard, "COVID-19's Toll on North America Vehicle Production in March, Q2," *WardsIntelligence*, 3/30/20; Haig Stoddard, "North America Platform by Plant Production Forecast - 2020-2022," *WardsIntelligence*, 1/8/21

⁴ Erin Sunde, "Automotive Insights Symposium: What's Next For The Industry," *WardsIntelligence*, 1/14/2021

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- ⁶ J.D. Power, "J.D. Power U.S. Automotive Forecast January 2021," www.businesswire.com, 1/27/2021
- ⁷ IHS Markit, email, "IHS Markit Monthly Automotive Update – October 2020," 10/16/2020
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- ⁹ Credit Suisse, Email, "US Autos & Auto Parts: November US Sales Report Card: Sequentially weaker, but still a solid set-up into '21," 12/2/2020
- ¹⁰ Haig Stoddard, "North America: Looking Ahead from Pandemic-Smacked 2020," *WardsIntelligence*, 1/14/2021
- ¹¹ IHS Markit, email, "IHS Markit Monthly Automotive Update –November 2020," 11/13/2020
- ¹² Haig Stoddard, "January U.S. Light-Vehicle Sales Start 2021 Better than Expected," *WardsIntelligence*, 2/2/2021
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- ¹⁴ Haig Stoddard, "January U.S. Light-Vehicle Sales Start 2021 Better than Expected," *WardsIntelligence*, 2/2/2021
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- ¹⁶ Haig Stoddard, "January U.S. Light-Vehicle Sales Start 2021 Better than Expected," *WardsIntelligence*, 2/2/2021
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- ¹⁸ WardsIntelligence, U.S. Light Vehicle Sales, January 2013 – December 2020
- ¹⁹ U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Regular price per gallon, including taxes
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- ³⁵ Sarah Petit, "World Sales Crash 13.9% in 2020," *WardsIntelligence*, 1/11/2021
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